

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

December 2, 2008

Ms. Anne Winn, Administrator
Ellen Sagar Nursing Home
1817 Jonesville Highway
Union, South Carolina 29379

Re: AC# 3-ELS-J6 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Ms. Winn:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2005 through September 30, 2006. That report was used to set the rate covering the contract periods beginning October 1, 2007.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**UNION HOSPITAL DISTRICT
D/B/A ELLEN SAGAR NURSING HOME
UNION, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2007
AC# 3-ELS-J6**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 2007	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 16, 2008

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Union Hospital District d/b/a Ellen Sagar Nursing Home, for the contract periods beginning October 1, 2007, and for the twelve month cost report period ended September 30, 2006, as set forth in the accompanying schedules. The management of Union Hospital District d/b/a Ellen Sagar Nursing Home is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

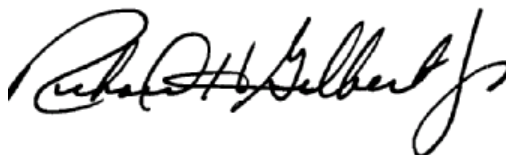
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Union Hospital District d/b/a Ellen Sagar Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Union Hospital District d/b/a Ellen Sagar Nursing Home dated as of October 1, 2006, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 16, 2008

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ELLEN SAGAR NURSING HOME
Computation of Rate Change
For the Contract Periods
Beginning October 1, 2007
AC# 3-ELS-J6

	Beginning <u>10/01/07</u>
Interim Reimbursement Rate (1)	\$131.18
Adjusted Reimbursement Rate	<u>123.91</u>
Decrease in Reimbursement Rate	\$ <u><u>7.27</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

ELLEN SAGAR NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning October 1, 2007
AC# 3-ELS-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.07	\$ 82.94	
Dietary		12.13	13.85	
Laundry/Housekeeping/Maintenance		<u>10.87</u>	<u>12.55</u>	
Subtotal	<u>\$7.65</u>	87.07	109.34	\$ 87.07
Administration & Medical Records	<u>\$4.11</u>	<u>14.11</u>	<u>18.22</u>	<u>14.11</u>
Subtotal		101.18	<u>\$127.56</u>	101.18
<u>Costs Not Subject to Standards:</u>				
Utilities		3.13		3.13
Special Services		.29		.29
Medical Supplies & Oxygen		4.21		4.21
Taxes and Insurance		2.10		2.10
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$110.91</u>		110.91
Inflation Factor (4.60%)				5.10
Cost of Capital				6.23
Cost of Capital Limitation				(.60)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.88
Cost Incentive				7.65
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.78)
Transportation Escort Add-On				<u>.52</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$123.91</u>

ELLEN SAGAR NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-ELS-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,634,104	\$ -	\$ 9,170 (3) 950 (3)	\$2,623,984
Dietary	496,905	-	-	496,905
Laundry	88,987	-	5,889 (4)	83,098
Housekeeping	224,870	-	-	224,870
Maintenance	168,728	-	8 (3) 31,614 (4)	137,106
Administration & Medical Records	725,835	-	1,748 (3) 5,425 (4) 140,806 (5)	577,856
Utilities	128,323	-	-	128,323
Special Services	11,867	-	-	11,867
Medical Supplies & Oxygen	172,576	-	-	172,576
Taxes and Insurance	173,652	-	87,584 (2)	86,068
Legal Fees	-	-	-	-
Cost of Capital	232,362	51 (1) <u>39,415 (7)</u>	14,273 (4) <u>2,339 (6)</u>	255,216
Subtotal	5,058,209	39,466	299,806	4,797,869

ELLEN SAGAR NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-ELS-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	116,749	-	-	116,749
Nonallowable	(366,472)	87,584 (2) 11,876 (3) 57,201 (4) 140,806 (5) 2,339 (6)	51 (1) 39,415 (7)	(106,132)
CNA Training and Testing	<u>1,855</u>	<u>-</u>	<u>-</u>	<u>1,855</u>
Total Operating Expenses	<u>\$4,810,341</u>	<u>\$339,272</u>	<u>\$339,272</u>	<u>\$4,810,341</u>
Total Patient Days	<u>40,953</u>	<u>-</u>	<u>-</u>	<u>40,953</u>
Total Beds	<u>113</u>			

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-ELS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 52,989	
	Other Equity	1,052	
	Cost of Capital	51	
	Accumulated Depreciation		\$ 54,041
	Nonallowable		51
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	87,584	
	Taxes and Insurance		87,584
	To adjust insurance expense HIM-15-1, Section 2304		
3	Nonallowable	11,876	
	Nursing		9,170
	Restorative		950
	Maintenance		8
	Administration		1,748
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Nonallowable	57,201	
	Laundry		5,889
	Maintenance		31,614
	Administration		5,425
	Cost of Capital		14,273
	To adjust related party laundry allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nonallowable	140,806	
	Administration		140,806
	To adjust related party management fee allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-ELS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	2,339	2,339
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
7	Cost of Capital Nonallowable	39,415	39,415
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$393,313</u>	<u>\$393,313</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ELLEN SAGAR NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-ELS-J6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	44,571	44,571	
Number of Beds	<u>51</u>	<u>44</u>	<u>13</u>	<u>5</u>	
Deemed Asset Value	2,273,121	1,961,124	579,423	222,855	
Improvements Since 1981	937,316	151,440	21,853	6,942	
Accumulated Depreciation at 9/30/06	<u>(1,292,305)</u>	<u>(554,808)</u>	<u>(142,068)</u>	<u>(94,516)</u>	
Deemed Depreciated Value	1,918,132	1,557,756	459,208	135,281	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	93,797	76,174	22,455	6,615	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	93,797	76,174	22,455	6,615	
Depreciation Expense	43,796	36,384	15,344	5,534	
Amortization Expense	-	-	-	-	
Capital Related Income Offsets	(20,257)	(17,476)	(5,164)	(1,986)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	117,336	95,082	32,635	10,163	\$255,216
Total Patient Days (Actual)	<u>18,483</u>	<u>15,946</u>	<u>4,712</u>	<u>1,812</u>	<u>40,953</u>
Cost of Capital Per Diem	\$ <u>6.35</u>	\$ <u>5.96</u>	\$ <u>6.93</u>	\$ <u>5.61</u>	\$ <u>6.23</u>

ELLEN SAGAR NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-ELS-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.02	\$ N/A	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.01</u>	<u>\$5.96</u>	<u>\$6.93</u>	<u>\$5.61</u>
Reimbursable Cost of Capital Per Diem		\$5.63		
Cost of Capital Per Diem		<u>6.23</u>		
Cost of Capital Per Diem Limitation		<u>\$(.60)</u>		

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.